

**REPORT OF THE AUDIT OF THE
EDMONSON COUNTY
SHERIFF**

**For The Period
August 1, 2008 Through December 31, 2008**



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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE EDMONSON COUNTY SHERIFF

**For The Period
August 1, 2008 Through December 31, 2008**

The Auditor of Public Accounts has completed the Edmonson County Sheriff's audit for the period August 1, 2008 through December 31, 2008. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$24,985 from the prior year, resulting in excess fees of \$157,967 for the period August 1, 2008 through December 31, 2008. Revenues increased by \$9,396 from the prior year and expenditures decreased by \$15,589.

Report Comments:

- The Sheriff's Office Lacks Adequate Segregation Of Duties Over Cash, Receipts, Reconciliations, And Reporting
- The Sheriff's Office Lacks Documented Control Procedures Over Serving Papers
- The Sheriff Should Pay Commissions On Taxes Collected To His Fee Account Monthly

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable N. E. Reed, Edmonson County Judge/Executive
The Honorable T. M. Vincent, Edmonson County Sheriff
Members of the Edmonson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Edmonson County, Kentucky, for the period August 1, 2008 through December 31, 2008. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the period August 1, 2008 through December 31, 2008, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated February 16, 2010 on our consideration of the Edmonson County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable N. E. Reed, Edmonson County Judge/Executive
The Honorable T. M. Vincent, Edmonson County Sheriff
Members of the Edmonson County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff's Office Lacks Adequate Segregation Of Duties Over Cash, Receipts, Reconciliations, And Reporting
- The Sheriff's Office Lacks Documented Control Procedures Over Serving Papers
- The Sheriff Should Pay Commissions On Taxes Collected To His Fee Account Monthly

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Edmonson County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

February 16, 2010

EDMONSON COUNTY
T. M. VINCENT, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Period August 1, 2008 Through December 31, 2008

Revenues

Federal Grants:

Community Oriented Policing Services - Equipment Grant	\$ 16,022		
Highway Traffic Safety Grant	1,000	\$	17,022

Federal Fees For Services:

U. S. Army Corps of Engineers - Lake Patrol Contract	8,225
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State - Kentucky Law Enforcement Foundation Program Fund	5,228
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State Fees For Services:

Finance and Administration Cabinet	7,885		
Sheriff Security Service	2,526		10,411

Circuit Court Clerk:

Fines and Fees Collected	810
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Fiscal Court	28,639
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County Clerk - Delinquent Taxes	210
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Commission On Taxes Collected	114,044
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Fees Collected For Services:

Auto Inspections	1,055		
Accident and Police Reports	218		
Serving Papers	15,700		
Carrying Concealed Deadly Weapon Permits	280		
Mental Health Transport	350		
Miscellaneous	170		17,773

Interest Earned		605	
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Total Revenues	202,967
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The accompanying notes are an integral part of this financial statement.

EDMONSON COUNTY
T. M. VINCENT, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Period August 1, 2008 Through December 31, 2008
(Continued)

Expenditures

Operating Expenditures:

Other Charges-

Community Oriented Policing Services - Equipment Grant	\$ 16,022
Bank Charges	199
Miscellaneous	10
Serving Papers To Other Counties	<u>130</u>

Total Expenditures	<u>\$ 16,361</u>
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Net Revenues	186,606
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Less: Statutory Maximum	<u>28,639</u>
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Excess Fees Due County For The Period

August 1, 2008 Through December 31, 2008	157,967
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Payments to Fiscal Court - Monthly	<u>100,605</u>
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Balance Due Fiscal Court at Completion of Audit	<u><u>\$ 57,362</u></u>
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The accompanying notes are an integral part of this financial statement.

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for August 1, 2008 through December 31, 2008 services
- Reimbursements for August 1, 2008 through December 31, 2008 activities
- Tax commissions due from November and December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided for August 1, 2008 through December 31, 2008

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Fee Pooling

The Edmonson County Sheriff participates in a fee pooling system with the Fiscal Court. Fee officials who are required to participate in fee pooling deposit all funds collected into their official operating account. The fee official is responsible for paying all amounts due to the taxing districts. Residual funds are then paid to the County Treasurer on a monthly basis. Invoices are submitted to the County Treasurer to document operating expenses. The County Treasurer pays almost all operating expenses for the fee official.

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent for the period August 1, 2008 through December 31, 2008.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Edmonson County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 3. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Edmonson County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Drug Account

The Sheriff's office established a Drug Fund for related receipts and expenditures. The former Sheriff transferred \$6,178 of drug funds to the current Sheriff upon vacation of office. During the period August 1, 2008 through December 31, 2008, receipts were \$2,399 including \$19 in interest and disbursements were \$6,067, resulting in an ending balance of \$2,510 on December 31, 2008.

Note 5. Federal Grant

The Sheriff's office received a Community Oriented Policing Services (COPS) - Law Enforcement Technology Grant from the U.S. Department of Justice in the amount of \$197,446. The former Sheriff transferred \$264 of grant funds to the current Sheriff upon vacation of office. During the period August 1, 2008 through December 31, 2008, grant receipts were \$28,043 including \$43 in interest and disbursements were \$16,022, resulting in an ending balance of \$12,285 on December 31, 2008.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable N. E. Reed, Edmonson County Judge/Executive
The Honorable T. M. Vincent, Edmonson County Sheriff
Members of the Edmonson County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Edmonson County Sheriff for the period August 1, 2008 through December 31, 2008, and have issued our report thereon dated February 16, 2010. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Edmonson County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting.

- The Sheriff's Office Lacks Adequate Segregation Of Duties Over Cash, Receipts, Reconciliations, And Reporting
- The Sheriff's Office Lacks Documented Control Procedures Over Serving Papers
- The Sheriff Should Pay Commissions On Taxes Collected To His Fee Account Monthly



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Edmonson County Sheriff's financial statement for the year ended December 31, 2008, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Edmonson County Sheriff's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the Sheriff's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Edmonson County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

February 16, 2010

COMMENTS AND RECOMMENDATIONS

EDMONSON COUNTY
T. M. VINCENT, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Period August 1, 2008 Through December 31, 2008

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:

The Sheriff's Office Lacks Adequate Segregation Of Duties Over Cash, Receipts, Reconciliations, And Reporting

Our review and evaluation of the Sheriff's internal controls disclosed a lack of segregation of duties. All employees of the Sheriff's office collect receipts. The Sheriff's bookkeeper prepares daily checkout sheets, prepares some bank deposits, and posts some collection totals to the receipts ledger. The bookkeeper prepares monthly and quarterly financial reports and performs monthly bank reconciliations. A proper segregation of duties would separate employees collecting money, recording transactions in the receipts ledger, and reconciling the financial records. There were no documented compensating controls noted to offset this internal control deficiency. We recommend the Sheriff implement compensating controls similar to those noted below to offset the lack of adequate segregation of duties.

- The Sheriff should periodically compare a daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger. Any differences should be reconciled. He could document this by initialing the bank deposit, daily checkout sheet, and receipts ledger for the day checked.
- The Sheriff should compare the monthly, quarterly, and annual financial reports to receipts ledger for accuracy. Any differences should be reconciled. The Sheriff could document this by initialing the receipts ledger or denoting the comparison on the financial reports.
- The Sheriff should periodically compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The Sheriff could document this by initialing the bank reconciliation and the balance in the checkbook.

Sheriff's Response: Due to our department being so small it is same as impossible to segregate all of the actions but we will where we can.

The Sheriff's Office Lacks Documented Control Procedures Over Serving Papers

Implementing control procedures over the collection of fees for serving papers is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Control procedures over the collection of fees for serving papers were not documented by the Sheriff's office. When papers are received from the Circuit Clerk's office, the Sheriff's office enters the papers into a tracking worksheet in excel, writes a receipt ticket for the fees collected, and deposits the fees collected into the fee account. However, after the papers are served, the papers are deleted from the tracking worksheet in excel. Therefore, we were unable to trace papers received from the Circuit Clerk's office to the fees collected for serving papers. We recommend the Sheriff require the tracking worksheet in excel be retained as documentation of the papers received from the Circuit Clerk's office.

Sheriff's Response: This is in the process of being corrected by purchasing a new computer program that will help.

EDMONSON COUNTY
T. M. VINCENT, SHERIFF, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2008
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:
(Continued)

The Sheriff Should Pay Commissions On Taxes Collected To His Fee Account Monthly

The Sheriff collects property taxes for various taxing districts. The Sheriff receives commissions for collecting these taxes. The commissions on taxes collected are used to operate the Sheriff's office. These commissions should be distributed to the fee account from the tax account monthly. Since the Sheriff participates in fee pooling, these commissions are distributed to the County Treasurer with the Sheriff's monthly fee settlement the following month. During testing, we noted the Sheriff's office did not distribute commissions on taxes collected to the fee account from the tax account for the months of November 2008 and December 2008 in the amounts of \$48,677 and \$8,581, respectively. This mistake resulted in the Sheriff not including these amounts in his monthly fee settlements with the County Treasurer. According to testing, the Sheriff's 2008 tax account owes commissions on taxes collected of \$57,362 to the Sheriff's 2008 fee account. This adjustment to commissions on taxes collected resulted in the Sheriff owing the County Treasurer excess fees of \$57,362 for the period August 1, 2008 through December 31, 2008. We recommend the Sheriff's office distribute commissions on taxes collected to his fee account monthly so the funds can be distributed to the County Treasurer in a timely manner.

Sheriff's Response: This has been corrected.

